

April 21, 2006

Mr. Eric P. Schlaf
Senior Economic Analyst
Energy Division
Illinois Commerce Commission
527 East Capitol Ave.
Springfield, IL 62701

Re: Comments of Sempra Energy Solutions to Staff's Proposed Definition of Competition pursuant to Orders in Docket No. 05-0159 and Docket Nos. 05-0160/05-0161/05-0162 (Consolidated)

Dear Mr. Schlaf,

Sempra Energy Solutions ("SES") hereby provides these comments to the proposed definition of competition contained in the Notice of Workshop Process dated April 5, 2006. SES welcomes the opportunity to provide its view of the characteristics of a competitive retail energy market in this initial phase of the workshops. Additional comments about how to achieve that goal will be provided in the second phase.

In the Notice of Workshop Process, the following definition of competition was offered for comment:

Retail Competition: The ability of retail electric customers to choose whether to purchase their electricity supply from either the local electric utility or from a alternative retail electric supplier. The amount of competitive retail activity is maximized when all identified barriers to wholesale and retail competition have been eliminated.

While there are probably as many different definitions of competition as there are opinions among economists, SES believes that this proposed definition is a good starting place to begin to shape a definition that is relevant to the retail electric market in Illinois. Although this definition is a good starting point, SES believes that at least two of its implications should be clarified. First, the proposed definition appears to apply only to electric commodity and to no other products or services. SES strongly believes that any definition of retail competition that applies to the broad spectrum of energy issues must not be limited solely to the commodity component of retail customers' service. Indeed, one of the key benefits of an active and competitive market is the offering of a broad array of products and services to retail customers, including commodity, billing services, meter services, payment services, risk management services, ancillary services, demand-related services, demand side management services etc. While these services may be related to the provision of commodity service, they are separate and distinct elements of product offerings typically seen in active retail energy markets. Accordingly, SES recommends that the proposed definition be modified by deleting the phrase "their electric supply" and inserting "energy-related products and services."

SES' second recommended change to the proposed competition definition addresses an implication in the definition that the utility is a necessary market participant in the energy service market for there to be competition. That is, unless an electric utility participates in a given market with products or services, the market cannot be competitive. In contrast to this approach, SES believes that the sine qua non of competition is a large number of market participants with each offering many different products among which customers may choose. Of course, along with other non-utility market participants regulated electric utilities may also offer retail electric products and services, but a market could also be competitive in the absence of utility participation. The notion that there cannot be competition without the participation of a regulated entity is counter-intuitive. SES recommends that the phrase "either the local electric utility or a alternative retail electric supplier" be deleted and replaced with "many retail electric service suppliers." These two changes, in combination, would also address what SES believes is a third unintended implication in the proposed definition, that competition is defined by a utility and one alternative retail electric supplier, implying that participation by more sellers is not necessary.

As a last general observation, SES notes that the second sentence of the proposed competition definition appropriately recognizes that competition can be maximized – and even defined – through the elimination of its barriers. In practice, competition is the state that exists when its barriers and impediments are eliminated. As such, competition can be defined in the affirmative (by its characteristics) or by the negative (by its barriers). There is much that can be said about both of these aspects. SES believes that the Commission should focus on both sides of that competitive ledger to ensure that Illinois' retail electric customers have the maximum opportunity to benefit from a growing competitive retail electric energy market in the s

SES thanks the Commission and its Staff for the opportunity to provide these comments and observations and looks forward to this workshop process and the discussion that will occur in the near future.

Sincerely,

Roy Boston
Strategic Planning & Policy Manager -- East
Sempra Energy Solutions